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Message Text

SECRET

PAGE 01 ABU DH 03144 081051Z
ACTION SS-25

INFO OCT-01 ISO-00 SSO-00 /026 W
----------129482 081059Z /13
P R 080830Z NOV 77
FM AMEMBASSY ABU DHABI
TO SECSTATE PRIORITY 6884
INFO USINT BAGHDAD
AMEMBASSY DOHA
AMEMBASSY JAKARTA
AMEMBASSY LIBREVILLE
AMEMBASSY QUITO
AMEMBASSY TRIPOLI
AMEMBASSY KUWAIT
AMEMBASSY ALGIERS
AMEMBASSY CARACAS
AMEMBASSY JIDDA
AMEMBASSY TEHRAN
AMEMBASSY VIENNA
AMEMBASSY LAGOS
AMEMBASSY LONDON
USMISSION USUN NEW YORK

S E C R E T ABU DHABI 3144

EXDIS

E.O. 11652: GDS
TAGS: ENRG
SUBJECT: US DEMARCHE ON OIL PRICE QUESTION

REF: (KA) STATE 264256, (B) ABU DHABI 3112 (TOTAL)

1. WHEN I CALLED ON UAE FOREIGN MINISTER AHMED SUWAIDI
ON NOVEMBER 7, I TOOK OPPORTUNITY TO CONVEY IMPORTANCE WHICH
USG ATTACHES TO THERE BEING NO OIL PRICE INCREASE WHATSOEVER
DURING 1978, AND LEFT WITH HIM AN AIDE MEMOIRE DRAWING ON
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POINTS CONTAINED REF (A).

2. I PREFACED MY REMAKRS BY EXPRESSING ADMINISTRATION'S
APPRECIATION FOR RESPONSIBLE POSITION TAKEN BY UAEG ON THIS
ISSUE. WE RECOGNIZED THAT EXAMPLE SET BY UAE HAD MADE AN
IMPORTANT CONTRIBUTION TO WORLD EXONOMIC STABILITY IN 1977
AND ADMINISTRATION'S EFFORTS TO WORK TOWARD MIDDLE EAST

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SETTLEMENT. UNFORTUNATELY WORLD ECONOMY STILL FRAGILE. WHILE
EFFORTS TO REDUCE INFLATION BEGINNNING TAKE HOLD, INFLATION RATE
IN FREE WORLD STILL UNACCEPTABLY HIGH, AND UNEMPLOYMENT RATE
NOT LIKELY TO BE RECUDED SOON. I EXPLAINED THAT US HAD
ACCEPTED A LARGE DETERIORATION IN ITS BALANCE OF PAYMENTS,
CAUSED IN LARGE PART BY OIL PRICE INCREASE, AND THIS HAD
SIGNIFICANTLY EASED INTERNATIONAL PAYMENTS SYSGM AND
HELPED WORLD ECONOMIC RECOVERY AND FINANCIAL STABILITY.
NO OTHER COUNTRY HAD BEEN WILLING TO ASSUME THIS ROLE. BUT
GROWTH OF US ECONOMY, WHICH HAD HAD POSITIVE IMPACT
ON WORLD ECONOMIC CONDITIONS HAD RECENTLY FALLEN TO LESS THAN
4 PERCENT. OUR VERY LARGE B/P DEFICIT WAS NOW HINDERING ADMINIS-
TRATION FORM TAKING STIMULATIVE ACTION.

3. DURING PRESENTATION, I EXPRESSED MY VIEW WHAT I
BELIEVED USG RECOGNIZED THAT IT COUND NOT ASK OPEC COUN-
TRIES HOLD DOWN OIL PRICES IF US DOES NOT APPLY RESTRAINTS
ON GROWTH PETROLEUM IMPORTS. BECUASE ENERY LEGIS-
LATION BEFORE US CONGRESS WAS OF SUCH GREAT IMPORTANCE,
PRESIDENT CARTER HAD HAD TO POSTPONE HIS PROPOSED VISIT
TO NINE COUNTRRIES AT END OF NOVEMBER. THIS DRAMATIZED
EXTENT TO WHICH ADMINISTRATION DETERMINED TO PUSH
CONSERVATION AND BOOST RESEARCH IN ALTERNATIVE ENERGY SOURCES,
INCLUDING SOLAR WHICH IS OF SUCH GREAT INTEREST TO UAE.

4. SUWAIDI'S REPLY WAS THAT HE WANTED USG TO BE ASSURED THAT
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THAT
UAE WOULD CONTINUE TO PURSUE POLICY OF MODERATION ON OPEC
OIL PRICES. IT WOULD CINTINUE TO COORDINATE CLOSELY WITH MODERATES IN
OPEC,
PARTICULARLY SAUDI ARABIA. UAE BELIEVED WORLD WAS ECONOMICALLY
INTER-RELATED AND THAT IF ONE PART OF FREE WORLD FACED WITH SERIOUS
ECONOMIC DIFFICULTIES, IT WOULD EVENTUALLY HURT UAE TOO. THIS WAS
WHY UAE HAD PROVIDED SO MUCH FOREIGN ASSISTANCE, WHICH HE
SAID NOW AMOUNTS TO 30 PERCENT OF GOVERNMENT OF ABU
DHABI'S INCOME. UAE COUNTED ITS RESTAINT FIRST SIX
MONTHS OF 1977 UNDER TWO TIER PRICE SYSTEM AS AID TOO,
THOUGHT IT HAD NOT BEEN DIFEINED IN MONETARY TERMS.

5. SUWAIDI THEN ASKED ME WHAT WAS POSITION OF SAUDI
ARABIA, KUWAIT, AND IRAN. HE SAID SHAIKH ZAYID HAD NOT
RAISED OIL PRICES WITH THE SHAH DURING THE FORMER'S RECENT STATE
VISIT TO IRAN. I SAID IT WAS MY IMPRESSION THAT SAUDIS IN PAR-
TICULAR WERE READY TO SUUPORT HOLDING PRICE LINE, AND THAT IRAN
DID NOT APPEAR TO BE AS AFFIRMATIVE AS IT WAS LAST YEAR ABOUT
INCREASING PRICE BY 10 TO 15 PERCENT. SUWAIDI SAID THAT HE
UNDERSTOOD CONSULTATIONS WOULD SOON BEGIN AMONG OPEC
COUNTRIES, STARTING VISIT OF VENEZUELAN OIL MINISTER

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(SCHEDULED TO COME TO ABU DHABI NOVEMBER 13), AND THAT
PURPOSE ADVANCE CONSULTATIONS WAS TO AVOID REPETITION OF SPLIT
RESULTING IN LAST YEAR'S TWO TIER PRICE SYSTEM.

6. COMMENT: I THOUGH SUWAIDI'S QUESTION TO ME ABOUT
IRAN'S VIEW WAS INTERESTING. WHILE ZAYID MAY NOT HAVE
RAISED OIL PRICES WITH THE SHAH, OIL MINISTER UTAYBA WAS
MEMBER OF DELEGATION AND SURELY HE MUST HAVE SOUNDED OUT
GOI'S VIEWS. PERHAPS SUWAIDI WAS CHECKING TO SEE IF WE
HAD ANY INDEPENDENT INFORMATION. I HOPE SEE UTAYBA SOON
DICKMAN

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